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**RURAL ENTREPRENEURSHIP- A CATALYST FOR THE DEVELOPMENT  
OF INDIAN ECONOMY**

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**Abstract:**

*Rural entrepreneurship is a term that refers to the creation of new business units and industries in rural areas. It involves entrepreneurial activity in the rural economy and leads to the overall development of the country. Rural entrepreneurship has roots in non-urban areas and has great potential for many ventures such as business, industry and agriculture. In general, rural industries and businesses are involved in agriculture and related activities. These activities support the livelihoods of the majority of the rural population. Rural entrepreneurship helps countries achieve equitable promotion and development in all areas. It serves as an important tool for bridging all gaps between urban and non-urban areas in terms of infrastructure, employment opportunities, health, education and more. Villagers are offered the same opportunities for growth and development as the people of the city. Most of India's population lives in villages. Rural people suffer from unemployment, poverty and poor infrastructure, which can be resolved by fostering rural entrepreneurs. Rural entrepreneurship is a great opportunity today for people migrating from sub-urban or rural to urban areas. Rural entrepreneurship can be seen as one of the solutions to reduce poverty, migration and unemployment and to develop rural areas. Rural entrepreneurs can improve the standard of living and purchasing power of rural people and the bottom of the pyramid by providing employment opportunities for villagers. This paper seeks to identify the various problems and challenges facing rural entrepreneurial opportunities. It focuses on the main issues facing rural entrepreneurs.*

**Key Words:** *Rural entrepreneurship, innovation, agribusiness, credit facility, infrastructure, rural development etc.,*

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**Introduction of Rural Entrepreneurship:**

Entrepreneurship has a long history, and the word "entrepreneur" was coined in French in the mid-17th or 18th century. The term "entrepreneurship" refers to the individual economic sources of the late 19th century. For the past two decades, the term entrepreneurship has been commonly used by the general public for business people around the world. An interesting and relevant scenario is that female entrepreneurs participate more in the global market today than males (Renzulli et al., 2000). Rural entrepreneurship is most often defined as the creation of new business institutions that support the production of new products, services, trend markets, and the introduction of new technologies in a rural environment. According to the Khadi and Village Industries Commission (KVIC), "village or rural industry is any industry that produces goods or services, with or without electricity, in rural areas with a population of 10,000 or less. It means that the fixed investment

amount of a craftsman or worker per person does not exceed 1,000 rupees. The Government of India has updated the definition of village industry to include any industry located in a rural region, village, or town with a population of 20,000 and less than a Rs. 3 crore investment in equipment and machinery. This broader definition of village industry has resulted in the addition of 41 additional village industries to the category of village industries.

All village industries have been classified into the following six categories:

1. Mineral-based industries
2. Forest-based industries
3. Agro-based industries
4. Engineering and non-conventional industries
5. Textile industry (including Khadi), and
6. Service industry.

Rural entrepreneurs can be seen as an important catalyst for economic development in the country and in rural areas of the country. A rural entrepreneur is that class of entrepreneur

who engages in entrepreneurial activity by establishing industrial and business units in the rural sector of the economy. Rural entrepreneurship focuses on finding and nurturing the talent of rural entrepreneurs, thereby driving the growth of indigenous enterprises. Rural entrepreneurship enhances the economic value of rural areas by introducing new production methods, new markets and new products. In addition, it also creates employment opportunities in rural areas and thus ensures rural development.

#### **Review of Literature:**

According to Dr. Upasana (2019), India is known for its agriculture production, besides there exists vast scope of extending farm related activities. The study explained that the challenges of the rural entrepreneurs should be used to motivate and to bring-in more involvement. When this is done, the rural economy would be the self-reliant and dynamic. Thus, the Government should realize that there is need to give incentives to corporate houses in order to promote the rural entrepreneurship. Sathya (2019) explained the major opportunities that are in the rural entrepreneurship are (i) there develops the rural prosperity through better distribution of farm produces in the rural, (ii) reduction of disguised employment opportunities due to entrepreneurial occupation to the rural youth, (iii) big co-operatives in the rural will form the optimum and maximum utilization of the farm produces and the rural resources. Saud Ilahi (2018) explained the current scenario of rural entrepreneurship in India, the different schemes of government for reviving traditional industries and rural entrepreneurship has been explained to develop and support the rural industries, to provide financial assistance, skill development training, infrastructure development and marketing assistance. The various programs discussed are: SFURTI- Scheme of Fund for Regeneration of Traditional Industries, • ASPIRE- A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship, • CGTMSE- Credit Guarantee Scheme for Micro and Small Enterprises, • CLCSS- Credit Linked Capital Subsidy Scheme.

According to S. Jayadatta (2017), rural entrepreneurship is an important development opportunity, but the big opposition is that rural entrepreneurs face challenges such as lack of basic rural amenities, especially in developing countries. That's what you're facing. He identified the main problems as financial problems, conceptual skills, lack of education, and the standard of living of the rural masses.

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This article outlines the challenges faced by rural entrepreneurs in increasing their potential, especially in the areas of basic facilities such as marketing products, electricity, water, and financial facilities for transportation. Finally, he recognized the challenges and problems of the Indian market and took advantage of the opportunities and prospects to become a successful entrepreneur.

According to Dr. S. Vijaya Kumar (2016), the rural sector of India is no longer primitive and isolated. That is, entrepreneurship is encouraged throughout rural and tribal societies to solve problems of poverty, economic inequality, unemployment and living standards. etc. The authors used secondary data for studies in which the types of rural entrepreneurship were classified into: Individual entrepreneurship, group entrepreneurship, clustered entrepreneurship, and collaborative entrepreneurship. Some of the disadvantages of rural entrepreneurship are: (I) Threats to the livelihoods of rural entrepreneurs and the survival of rural industries, global slowdown, anxiety, outsourcing and discrimination. According to Dr. K Mishra (2016), rural women entrepreneurship would create new economic prospects for rural women while also contributing to the general development of rural and semi-rural persons who relocate to cities. They examined the difficulties and went through the supportive factors for women entrepreneurs in rural India. They utilised investigative research approach since the research was both exploratory and descriptive. The paper's findings depicted a lack of balance between women's home and work duties, a low degree of financial independence and risk carrying ability, self-confidence, a lack of technology expertise, a lack of drive, and legal formalities.

#### **Objectives of the Study:**

Rural entrepreneurs are persons who do business in rural regions by utilising rural resources. The present study aims to fulfill the following objectives:

1. To Understand the importance of rural entrepreneurship.
2. To Know the different types of rural entrepreneurship.
3. To Study the challenges and problems of Rural entrepreneurship.
4. To Identify the various schemes offered by the government to rural MSMEs
5. To suggest remedial measures for the Upliftment of rural enterprises.

**Methodology:**

This study is based solely on secondary data. Data was collected from books, magazines, websites and annual reports.

**Need for Rural Entrepreneurship:**

The rationale behind rural entrepreneurship can be best understood from the following: –

1. *High potential for job creation* – Rural entrepreneurship brings many employment opportunities to rural people. Rural industries tend to be labor-intensive and employ many people directly and indirectly in a variety of activities. Rising unemployment is one of the fundamental and most emphasized problems in all modern nations. Rural entrepreneurship is very effective in actively addressing this issue by increasing employment opportunities for people.

2. *Reducing Income Inequality* – Rural industries are likely to generate large amounts of income for rural populations. Income inequality will narrow if people living in non-urban areas are given the same income opportunities as in urban areas. The creation of new companies and industries leads to better employment opportunities with decent salaries and wages.

3. *Proper use of resources* – Rural entrepreneurship helps in the effective use of resources available in remote areas. Rural areas have abundant resources and can be underdeveloped without rural entrepreneurship. When an industry goes through a rural entrepreneurial program, the use of all these resources increases productivity and thereby somehow benefits the country. In addition, the labor available in the village also works in this type of entrepreneurship.

4. *Reducing Villagers Migration*–People migration from rural to urban areas is one of the major problems facing all nations today. People are migrating to cities in search of employment opportunities, better lives, and a variety of other infrastructure facilities that are lacking in rural areas. Rural urbanization serves to fill this development gap between urban and non-urban areas. This helps to bring villagers the same growth and development opportunities that are available in urban areas. When people have access to work opportunities in their hometown, they prefer to stay in their hometown rather than move elsewhere.

5. *Earn Forex* – Rural markets serve as an important source of foreign income for the country. Rurally made products are in high demand and are exported to several countries around the world. These products include handicrafts, crafts, and a variety of other agricultural products. All transactions are settled

in international currencies, increasing the country's foreign exchange reserves.

6. *Strengthening Traditional Culture* – Rural entrepreneurship not only protects, but promotes, the arts, creativity and culture of a particular region. It turns out that the rural people have excellent cultural and traditional talents. Also, all kinds of historical artistic activities came only from rural areas. Rural entrepreneurship paves the way for encouraging these activities, allowing villagers to make great handicrafts and earn their bread and butter by selling them.

7. *Promoting Economic Development*–Economic development in remote areas across the country is greatly encouraged by rural entrepreneurship. It focuses on achieving equitable growth and development in both urban and rural areas. The creation of new ventures and industries will bring more capital to rural markets. All of this also helps to eliminate the distinction between regions such as slums, cities and big cities.

**Types of Rural Entrepreneurship:**

Here are the different types of rural entrepreneurship: –

1. *Agribusiness* – Agribusiness is a company engaged in the processing and sale of agricultural products. These products include fruit juice, sugar, wheat, rice, dairy products, brown sugar, oil from oil seeds and more.

2. *Mineral-based industry* – The mineral-based industry uses mineral ore as the primary raw material for producing a variety of products. The steel industry, cement industry, aluminium industry, wall covering powder, etc. belong to the mineral-based industry.

3. *Handicrafts*–Handicrafts are works of art made of glass, jute, bamboo, earth, wood and more. Antiques, traditional ornaments and toys are also covered here.

4. *Textile Industry* – The textile industry includes all industries involved in textile spinning, weaving, tie and dye, and coloring and bleaching of textile

5. *Engineering Services*–Engineering services include tools and equipment used in pumps, tractors, pipes and accessories, repairs, etc.

6. *Forest Industry* – The forest industry is involved in bamboo products, honey production, bedi industry, supply of wood and wood products.

**The Role of SMEs in Rural India:**

1. *Create employment* : SMEs employ large numbers of people in small rural areas. These businesses are basically labor intensive. They employ many unskilled workers in their factories. This helps many people in rural areas to earn income. These

- companies play an effective role in reducing poverty and improving rural economies.
2. *Reduce migration from rural areas to cities* : SMEs operating in rural areas play an effective role in reducing the movement of people from rural areas to urban areas. People are basically migrating from the rural areas to the city in search of employment opportunities and a better standard of living. These companies offer employment opportunities for large people. They also play a role in rural development. In this way, it helps move people from rural to urban areas.
  3. *Making the best use of rural resources*: The rural areas of our country are rich in various resources. These resources are ample and cheap raw materials, barren land, and cheap labor. The industry here makes the best use of all these resources. Otherwise, these resources will be idle and will remain unused. This will help improve the rural economy and eradicate poverty.
  4. *Promote rural development and growth* : Rural development is one of the important roles played by the industries located there. These companies are helping to eradicate poverty from rural areas. Promotion of several development programs are contributing to the improvement of the rural economy. As a result of these industries, many people find employment and earn a living.
  5. *Fair distribution of income* : Small businesses need a small amount of capital to start and operate. This encourages many people to start their own business in rural areas. Therefore, many small and medium-sized enterprises are operated all over the country. These help reduce the concentration of wealth on just a few wealthy individuals. It is evenly distributed among small businessmen in many regions. In this way, it helps eliminate income inequality among people.
  6. *Improve living standards* : Rural industry aims to improve the standard of living of the people who live there. It meets all the needs and requirements of the rural population. These industries provide rural people with lower cost and higher quality products. These also provide a source of income for many in the countryside. In this way, they are effectively contributing to improving the standard of living of the people who live there.

7. *Increase tax revenue*: There are many industries operating in rural areas across the country. They work efficiently and generate enough income. These industries have to pay government taxes on their income. Government revenues will steadily increase as more industries begin operations. The income generated by this government will be used by various rural development programmers.

#### **Challenges and Problems of Rural Entrepreneurship:**

There are many challenges and hardships in implementing a rural entrepreneurship program. They are listed as follows: –

1. *Lack of Funds* – Lack of funds is one of the main problems rural entrepreneurs are facing. Finance is said to be the backbone of all businesses, and if funds are not available, the business will not work. Rural entrepreneurs face great difficulty in raising external funding due to lack of credit in the market and specific security.
2. *Poor Infrastructure*-Rural entrepreneurs have suffered heavily from poor infrastructure. Due to the lack of basic infrastructure such as transportation, telecommunications and electricity supply, it is very poor compared to urban facilities and cannot achieve better growth rates. All of this is very necessary to keep your business running smoothly.
3. *Competition* – Rural entrepreneurs face fierce competition with large organizations and urban businesses in the market. They lack product quality, effective branding, and proper standardization. All of these factors make rural entrepreneurs inefficient in competing with these large organizations.
4. *Skilled Worker Shortage* – Remotely skilled worker shortages are another major problem rural entrepreneurs are facing. Finding qualified personnel in non-urban areas is difficult, as most of them are willing to work in urban areas where they receive high salaries and access to better equipment.
5. *Poor product quality* – Rural entrepreneurs lack better standard tools and equipment to regulate product quality. This leads to the production of low quality products. Customers are more quality conscious in modern times and may boycott brands that are not focused on quality control.
6. *Exploitation by middlemen*-Rural entrepreneurs are mainly exploited by middlemen. To market their products, rural entrepreneurs rely heavily on intermediaries who demand huge profits. Lack of storage facilities

and proper transportation services are other marketing problems faced by remote areas.

7. *Legal Procedures* – Rural entrepreneurs must complete some legal procedures before establishing an entity. These procedures include obtaining business permits, pollution certificates, and various other forms of authorization. All of these tasks can be difficult for entrepreneurs due to their low level of education.

#### **Remedial measures for the Development of Rural Entrepreneurship:**

Fostering entrepreneurship is not a one-man job, so it is a difficult job for an individual to start an industry. Entrepreneurs can only succeed if the overall industrial and economic environment facilitates the development and growth of rural industries. Rural industries face many challenges from start-up to operation. Therefore, in order to overcome this problem, it is necessary to propose the following measures to foster rural entrepreneurs in the country.

1. *Providing appropriate infrastructure equipment:* The government needs to make reasonable arrangements for the strengthening and development of rural infrastructure facilities for the proper promotion and sale of rural industrial products.

2. *Credit Facility Preparation:* Finance is considered a lubricant for building and operating an industry, so sufficient funds must be available on time and on favorable terms. Banks and financial institutions must step forward to provide loans to rural industries at preferential tax rates on simple terms.

3. *Building a strong raw material base:* Raw materials are essential for any industry. However, the rural industry faces major challenges in obtaining and storing raw materials. As a result, an immediate policy is required to improve the raw material base in the agricultural sector. Marketing is another area where rural industry is weak. To solve marketing problems, we need to establish and expand a joint production and marketing center with the latest infrastructure equipment. This, on the one hand, helps promote the export business, and on the other hand, leads to closer interactions between buyers and sellers and helps avoid intermediaries.

4. *Entrepreneurship Training Offer:* Most rural entrepreneurs do not voluntarily start their entrepreneurial career, but by chance, education is "essential to the development of entrepreneurship. Training is required to build potential entrepreneurs' entrepreneurial aptitude and capabilities. Rural businesses require

additional training in packaging, labeling, and marketing.

5. *Raise awareness of various institutions among rural residents:* Rural residents are unaware of the facilities available to establish rural industry. Therefore, it is the need to disseminate information about what is available through vocational training, entrepreneurship development programs, and the screening of audiovisual films about various rural businesses. This exposes them to the modern conveniences and facilities available in rural areas and allows them to start a business. In addition to the above provisions, the government should promote the introduction of entrepreneurship education in schools, universities and universities in order to instill entrepreneurship and attitudes in rural people. The government is also encouraging the creation of non-governmental organizations (NGOs) that have been proven to help develop the entrepreneurial spirit of the country's rural areas.

#### **MSME programs to revitalize traditional industrial and rural entrepreneurship:**

Rural entrepreneurial ventures featuring the above categories are primarily the flag of small industries. The Ministry of Small Industry (SSI) is a ministry of nodes for policy making, promotion, development and protection of small industries in India. It drafts and implements policies through field organizations for the promotion and growth of small industries, and also performs political advocacy functions on behalf of small industries (SSIs) with other ministries. The following is a summary of recent five policy initiatives and other reforms implemented by the Government of India through the Ministry of Small Industry. -

1. *Scheme of Fund for Regeneration of Traditional Industries (SFURTI)* : This is a cluster-based program that develops Khadi, village industry and Coir clusters by providing upgraded equipment, shared facilities, business development services, training, capacity building and design, marketing support and more.

2. *A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)* : This scheme aims to create new jobs and reduce unemployment, promote entrepreneurship culture in India, boost grassroots economic development at the district level, facilitate innovative business solutions for unmet social needs, and promote innovation to further strengthen the competitiveness of the MSME sector. It does this by implementing incubation and commercialisation of Business Ideas Programme through technical/research institutes,

including those in the field of agro-based industry. These would be designated as Knowledge Partners and would incubate new/existing technologies for their commercialisation.

**3. Credit Link Capital Subsidy Scheme (CLCSS):** This scheme facilitates technological upgrades of small industries, including industrial units of Khadi, villages and Coir, by providing a 15% upfront capital subsidy (up to Rs. 150,000). The main goal is to modernise small firms' equipment and machinery with cutting-edge technology, with or without growth, as well as for new MSMEs that have built up their facilities with relevant, eligible, and proven technology that has been officially approved under scheme standards.

**4. Prime Minister's Employment Generation Program (PMEGP):** The plan, which began in 2008, is a credit-linked subsidy programme aimed at generating self-employment prospects through the formation of micro-enterprises in the non-farm sector by assisting traditional craftspeople and jobless youngsters. The initiative is implemented by the Khadi and Village Industries Commission (KVIC), which serves as the national nodal body. The plan is implemented at the state level through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs), and banks.

**5. Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE):** The Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) promotes credit to MSME units through collateral-free credit facilities (term loan and/or working capital) granted to new and existing micro and small enterprises by approved lending institutions. In order to execute the Credit Guarantee Scheme for Micro and Small Enterprises, the MSME Ministry and the Small Industries Development Bank of India (SIDBI) formed a Trust called the Credit Guarantee Fund Trust for Micro and Small Enterprises. The Government of India and SIDBI contribute to the CGTMSE fund. The Trust Fund guarantees 75% of the amount of the loan to the bank. Individual MSMEs can apply for a collateral-free loan up to Rs 100 lakh by paying a guarantee fee to the scheme.

#### **Suggestions:**

Considering the above issues, the following suggestions can be made to encourage rural entrepreneurs.

1. The government needs to provide separate financial support to rural entrepreneurs.

2. Rural entrepreneurs need to receive appropriate and timely financial support from all financial institutions and banks.

3. Special training programs for rural entrepreneurs should be organized by the government to improve their knowledge and skills.

4. Rurally educated young people need to grow further in the field of entrepreneurship.

5. Technology upgrades are very important.

6. Rural enterprises need to be well funded to upgrade outdated technologies, tools and equipment to compete with large companies.

7. Rural entrepreneurs need to be provided with appropriate infrastructure equipment.

8. Rural entrepreneurs need to improve the quality of their products so that they can compete with other similar departments and large corporations.

9. Industrial co-operatives are formed in line with the policies of primary agricultural co-operatives in rural areas to help rural entrepreneurs sell their products, provide raw materials to rural industries and free them from exploitation by intermediaries.

#### **Conclusion:**

Entrepreneurship is growing significantly as India overtakes the UK as the world's third largest startup ecosystem. As people move from rural to urban areas due to lack of employment opportunities, rural youth are not finding opportunities for their growth. The lack of youth opportunities in rural areas is not only bad for rural areas, but also puts pressure on urban infrastructure and comfort. However, while a variety of products and services are available in remote areas, people lack creative ideas for the proper use of all these resources. That's why; rural entrepreneurship is urgently needed to develop small villages and even their people. The Indian hinterland is brimming with talent, opportunity, resources, and potential investors eager to invest in rural enterprises. Existing firms that are forecasting growth, impact, and innovation have established models of inspiration for new rural enterprises that are just getting started. The tremendous opportunity in the countryside has become fascinating for aspiring entrepreneurs. To be a true success story, MSME in India needs to embrace what is ahead, build a resilient business model, and create a future that advances technology through technology.

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